

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING; FY 08-09 BUDGET REQUEST CYCLE

Schedule 13											
1331 Emergency Change Request for FY 08-09 Budget Request Cycle											
Decision Item FY 08-09 <input type="checkbox"/>		Base Reduction Item FY 08-09 <input type="checkbox"/>		Supplemental FY 07-08 <input checked="" type="checkbox"/>		Budget Request Amendment FY 08-09 <input type="checkbox"/>					
Request Title:		Transfer Excess State Contribution Payment Funding				Dept. Approval by:		John Bartholomew <i>JB</i>		Date: June 23, 2008	
Department:		Health Care Policy and Financing				OSPBA Approval:		<i>h n 26</i>		Date: 6/19/08	
Priority Number:		N/A									
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 06-07	Appropriation FY 07-08	1331 Supplemental Request FY 07-08	Total Revised Request FY 07-08	Appropriation FY 08-09	Decision/ Base Reduction FY 08-09	November 1 Request FY 08-09	Budget Amendment FY 08-09	Total Revised Request FY 08-09	Change from Base (Column 5) FY 09-10
Total of All Line Items	Total(t)	72,494,301	72,095,010	(554,908)	71,540,102	81,155,195	0	81,155,195	0	81,155,195	0
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	72,494,301	72,095,010	(554,908)	71,540,102	81,155,195	0	81,155,195	0	81,155,195	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(5) Other Medical Services											
Medicare	Total	72,494,301	72,095,010	(554,908)	71,540,102	81,155,195	0	81,155,195	0	81,155,195	0
Modernization Act of	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2003 State Contribution	GF	72,494,301	72,095,010	(554,908)	71,540,102	81,155,195	0	81,155,195	0	81,155,195	0
Payment	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	0	0	0	0	0	0	0	0	0
	CFE	0	0	0	0	0	0	0	0	0	0
	FF	0	0	0	0	0	0	0	0	0	0
(1) The Department further requests that the reduced funds be transferred to the Controlled Maintenance Trust Fund.											
Letternote revised text:											
Cash Fund name/number, Federal Fund Grant name:											
IT Request: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No											
Request Affects Other Departments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, List Other Departments Here:											

1331 EMERGENCY CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	N/A
Change Request Title:	Transfer Excess State Contribution Payment Funding

SELECT ONE (click on box):

- ☐ Decision Item FY 08-09
☐ Base Reduction Item FY 08-09
☒ Supplemental Request FY 07-08
☐ Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☐ Not a Supplemental or Budget Request Amendment
☒ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The Department requests a reduction of \$554,908 General Fund to the (5) Other Medical Services, Medicare Modernization Act of 2003 State Contribution Payment line item and that \$554,908 General Fund is transferred to the Controlled Maintenance Trust Fund in FY 2007-08.

Background and Appropriation History:

On January 1, 2006, the federal Centers for Medicare and Medicaid Services (CMS) assumed responsibility for the Part D prescription drug benefit replacing the Medicaid prescription drug coverage for dual eligible clients. In lieu of the states' obligation to cover prescription drugs for this population, the federal Centers for Medicare and Medicaid Services began requiring states to pay a portion of what their anticipated dual eligible drug cost would have been had this cost shift not occurred. In January 2006, states began to pay the Centers for Medicare and Medicaid Services these "clawback" payments. The payments were calculated by taking 90% of the federal portion of each state's average per capita dual eligible drug benefit from calendar year 2003, inflated to 2006 using the average growth rate from the National Health Expenditure per capita drug expenditures. This inflated per capita amount is multiplied by the number of dual

eligible clients including retroactive clients back to January 2006. As each calendar year passes, the 90% factor is lowered by 1.67% each year, which is known as the phasedown percentage, until it reaches 75%, where it will remain starting in 2015. In addition, the Centers for Medicare and Medicaid Services inflate each state's per capita rates based on either the National Health Expenditures' growth or actual growth in Part D expenditures. In FY 05-06, the Department expended \$31,461,626 for 6 months of payments. In FY 06-07 the Department expended \$72,494,301 for a full year of payments.

The Department is currently appropriated \$72,095,010 General Fund for FY 07-08, which consists of \$76,719,821 General Fund from the Long Bill (SB 07-239) and a reduction of \$7,173,368 General Fund from the Department of Health Care Policy and Financing's Cash Accounting Bill (SB 07-133). SB 07-133 changed the accounting for the payment from accrual to cash resulting in a one-time savings by shifting the June 2008 payment, which is billed in July 2008, to FY 08-09. The FY 07-08 appropriation also includes Supplemental Request 4, Increase Funding for State Contribution Payment, in the Department's FY 07-08 Supplemental Requests and FY 08-09 Budget Request Amendments, February 15, 2008 (page S.4-1) which requested an increase of \$2,548,557 General Fund for this line item. The requested additional funding was appropriated in the Long Bill (HB 08-1375) add-ons.

General Description of Request:

The Department requests a reduction of \$554,908 General Fund to the (5) Other Medical Services, Medicare Modernization Act of 2003 State Contribution Payment line item and that \$554,908 General Fund is transferred to the Controlled Maintenance Trust Fund in FY 2007-08.

The reduction request is a result of smaller caseload growth over that last 6 months than what was forecast.

Consequences if Not Funded: If the funds in the allocation are not transferred to the Controlled Maintenance Trust Fund, the funds will revert back to General Fund.

Calculations for Request:

Summary of Request FY 07-08	Total Funds	General Fund	Cash Funds Exempt	Federal Funds
Total Request (5) Other Medical Services, Medicare Modernization Act of 2003 State Contribution Payment	(\$554,908)	(\$554,908)	\$0	\$0

Derivation of FY 07-08 Spending Authority	
Bill	Spending Authority (General Fund)
FY 07-08 Long Bill (SB 07-239) Total Amount	\$76,719,821
HCPF Cash System Of Accounting (SB 07-133) Incremental Decrease	(\$7,173,368)
FY 08-09 Long Bill (HB 08-1375) Incremental Increase	\$2,548,557
Total FY 07-08 Spending Authority	\$72,095,010

FY 07-08 Actual Invoice Amounts	
Month	Invoice Amount (General Fund)
July 2007	\$6,025,109
August 2007	\$6,195,893
September 2007	\$6,206,296
October 2007	\$8,082,687
November 2007	\$6,404,718
December 2007	\$6,359,429
January 2008	\$6,481,467
February 2008	\$6,491,429
March 2008	\$6,372,029
April 2008	\$6,365,941
Total	\$64,984,998

Projected Invoice Amounts for Remainder FY 07-08	
Month	Amount (General Fund)
May 2008	\$6,555,104
Total Projected Expenditures for FY 07-08	\$71,540,102
Total Appropriation	\$72,095,010
Expected Over-Funding	\$554,908

Assumptions for Calculations:

The Department has received invoices for the months of July 2007 through April 2008. The expected amount of the May 2008 invoice is based on the Department's expenditure forecast models. The Department expects to receive the May 2008 invoice on or before June 13, 2008, at which time the exact amount of the over-funding will be known.

Impact on Other Government Agencies:

None.

Cost Benefit Analysis:

Not applicable.

Statutory and Federal Authority:

42 CFR 423.908: *Phased-down State contribution to drug benefit costs assumed by Medicare. This subpart sets forth the requirements for State contributions for Part D drug benefits based on full-benefit dual eligible individual drug expenditures.*

42 CFR 423.910 (a) General rule: *Each of the 50 States and the District of Columbia is required to provide for payment to CMS a phased-down contribution to defray a portion of the Medicare drug expenditures for individuals whose projected Medicaid drug coverage is assumed by Medicare Part D.*

42 CFR 423.910 (b) (2) Method of payment: *Payments for the phased down State contribution begins in January 2006, and are made on a monthly basis for each subsequent month. State payment must be made in a manner specified by CMS that is similar to the manner in which State payments are made under the State Buy-in Program except that all payments must be deposited into the Medicare Prescription Drug Account in the Federal Supplementary Medical Insurance Trust Fund. The policy on collection of the Phased-down State contribution payment is the same as the policy that governs collection of Part A and Part B Medicare premiums for State Buy-in.*

42 CFR 423.910 (g) Annual per capita drug expenditures. *CMS notifies each State no later than October 15 before each calendar year, beginning October 15, 2005, of their annual per capita drug payment expenditure amount for the next year.*

25.5-4-105, C.R.S. (2008) *Nothing in this article or articles 5 and 6 of this title shall prevent the state department from complying with federal requirements for a program of medical assistance in order for the state of Colorado to qualify for federal funds under Title XIX of the social security act and to maintain a program within the limits of available appropriations.*

25.5-5-503, C.R.S. (2008) *(1) The state department is authorized to ensure the participation of Colorado medical assistance recipients, who are also eligible for medicare, in any federal prescription drug benefit enacted for medicare recipients. (2) Prescribed drugs shall not be a covered benefit under the medical assistance program for a recipient who is eligible for a prescription drug benefit program under medicare; except that, if a prescribed drug is not a covered Part D drug as defined in the “Medicare Prescription Drug, Improvement, and Modernization Act of 2003”, Pub.L. 108-173, the prescribed drug may be a covered benefit if it is otherwise covered under the medical assistance program and federal financial participation is available.*

Performance Measures:

Not applicable.